Corporate Profile

The Saskatchewan Economic Development Corporation (SEDCO) is a provincial Crown corporation established by an Act of legislature in 1963. SEDCO's objective is to serve as a catalyst in fostering economic growth in Saskatchewan through support for business and industry.

This role is carried out through a wide range of financial and industrial property services. While these services can be quite flexibly adapted to each individual case and situation to nearly all sectors of the economy, particular interest is given to those operations engaged in manufacturing and processing and to facilities related to tourism.

Innovation Place, Western Canada's first research park located in Saskatoon was developed by SEDCO exemplifying the Corporation's support for research and technological advancement.

AgriPlace Business Centre, located in Saskatoon, is the first agribusiness park of its kind in North America. This SEDCO-developed park was planned as a one-stop shopping centre for the farming community.

Letter of Transmittal

March 15, 1985

To His Honour,
The Honourable Frederick W. Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Economic Development Corporation for the year ended December 31, 1984, including the financial statements in the form required by the Treasury Board and duly certified by the Provincial Auditor in accordance with the Industrial Development Act.

I have the honour to be, Sir,

Your obedient servant,

Hon. Jack Klein
Minister of Tourism and Small Business,
Minister Responsible,
Saskatchewan Economic Development Corporation

Chairman's Message

The last year was one of achievement for SEDCO in uncertain economic conditions. Perceiving that the economy and the investment sector were not strong enough to justify expansion, SEDCO consolidated its position, meeting client needs, while cutting back its staff complement. The result was a leaner organization ready to meet the challenges of developing Saskatchewan's economy.

For many years SEDCO has been on the leading edge of developmental lenders assisting businesses that are more vulnerable in a cautious economy. Many clients have seen their traditional markets lessen in the past few years — markets that seemed stable in the late 1970's. Decreasing sales coupled with high interest rates have brought about business failures which take time to replace.

SEDCO has, in some cases, been able to prevent business failures or to aid in the scaling back or re-organization of a business so that the benefits of invested effort and capital were not lost. Although this activity is not as exciting as announcing the opening of a new enterprise, it is important work and SEDCO has done it well in 1984.

SEDCO continued to work diligently to reduce property inventory during the year and undertook no new property development.

Extensive financial and property expertise was added to the Corporation through the appointment of Douglas S. Price as President and CEO. Mr. Price's outstanding background in business and community work has eased his transition to this new set of challenges. He has put together an impressive management team that pools many years of experience in economic development.

Ted Hanlon's retirement as Chairman of the Board occurred during the year. His special insight into financial, property and human resources has left him held in high esteem with both the Corporation and client companies. He left behind an enviable record of achievement.

I congratulate and thank SEDCO management and staff for their continued dedication to economic development, and the Hon. Jack Klein, Minister, and the other Board members for their advice, optimism and mutual support during 1984. With an improving economy, our role in the economic development of Saskatchewan will expand, and with it the financial role of the Corporation.

Larry A. Kyle, Q.C.
Chairman of the Board

President's Report

Nearly every company in the financial and industrial sector found 1984 to be a great challenge. SEDCO's position was similar and so it was for several of its major clients. Activities throughout the year were, therefore, aimed at supporting client companies rather than taking major developmental strides.

Factors that contributed to reduced earnings for many companies last year included fluctuating, but nevertheless high, interest rates, a hesitant and discriminating investment community, tightening markets, and a moderate industrial growth rate.

Protecting investments, client solvency and employment were among the major concerns for SEDCO last year. While continuing to provide financial and industrial property services, in 1984 SEDCO found it essential to retain emphasis on its role as consultant to clientele. Therefore, resources were again directed primarily at providing counsel and assistance to clients experiencing persistent operating difficulties. Although some successes were achieved, some attempts, unfortunately, were not as successful. Those results contributed significantly to the additional provisions for doubtful accounts. At year end, SEDCO had provided reserves for all expected future losses.

A write down of $3.3 million on property holdings last year contributed to the Corporation's total deficit. This reflects recognition of circumstances attributable to the past decade. At year end, however, SEDCO had accounted for all expected property write-downs.

In 1984, I was pleased to accept the leadership challenges of a provincial development corporation. Refining the corporate structure of SEDCO toward year-end has resulted in a more efficient and streamlined organization. The revised management team consisting of four divisional directors and myself remains committed to providing financial and property services and opportunities in support of our clients' and prospective clients' present and future needs.

Through the introduction of corporate planning, we have established demanding, immediate goals and activities for the Corporation. During the coming year, we are confident that we will make significant progress toward achieving these objectives through the efforts of our dedicated staff.

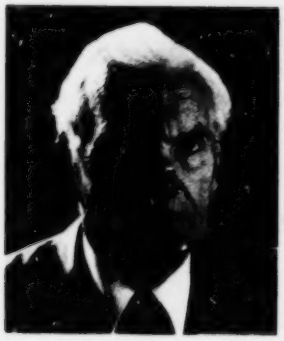
At year end, we feel that the Corporation is well positioned to assist in the economic development process in Saskatchewan. We remain optimistic that through planning and action the Corporation can earn a return on capital invested and that profitable operations are attainable and realistic in the near future.

Douglas S. Price
President and Chief Executive Officer

Board of Directors

Larry A. Kyle, Q.C.
Chairman, Regina

Hon. Jack C. Klein
Vice-Chairman, Regina

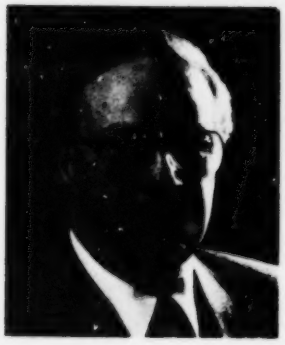


James H. Coventry
Nipawin

Laurianne A. Dellabough
Moose Jaw

Brian J. Keple
Regina

Douglas R. Osborne
Regina



J. Ross Reibling
Regina

Madelene M. Smith
Saskatoon

Peter E. Zakreski
Saskatoon

Ian Disbery
Board Secretary, Regina

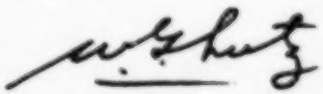
Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Economic Development Corporation as at December 31, 1984 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Economic Development Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of depreciation as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 15, 1985



W. G. Lutz, F.C.A.
Provincial Auditor

Statement of Financial Position

As at December 31

	1984	1983
Assets	(in thousands)	
Loans (net) (4*)	$102,828	$110,760
Share investments (5*)	3,643	3,669
Property holdings (6*)	47,787	47,029
Other	491	1,250
	$154,749	$162,708
Liabilities and Province's Equity		
Liabilities		
Net bank indebtedness (cash)	$ 867	$ (29)
Accounts payable and accrued liabilities	4,619	4,593
Notes payable (7*)	2,000	2,000
Long term debt (7*)	134,147	134,147
	141,633	140,711
Province of Saskatchewan's Equity		
Advances (8*)	$ 28,702	$ 28,702
Contributed surplus (9*)	158	158
Retained earnings — (Deficit)	(15,744)	(6,863)
	13,116	21,997
	$154,749	$162,708

* *(See accompanying notes)*

Statement of Operations and Deficit

Year Ended December 31

	1984	1983
	(in thousands)	
Revenue		
Revenue from loans and investments	$ 14,989	$ 16,133
Revenue from properties (10*)	3,708	3,454
	18,697	19,587
Expenses		
Interest	13,516	13,435
Rental property expenses	1,325	1,082
General corporate expenses	3,553	4,236
	18,394	18,753
Net earnings before the under noted items	303	834
Bad debt expense	5,073	11,583
Write-down of property to net realizable value	3,320	—
Write-down of share investments to net realizable value	791	631
Net Loss	(8,881)	(11,380)
Retained earnings (Deficit), beginning of year:		
As previously reported	(7,246)	4,277
Adjustment for the cumulative effect of the change in Accounting Policy (2*)	383	240
As restated	(6,863)	4,517
Retained earnings (Deficit) End of Year	$ (15,744)	$ (6,863)

(See accompanying notes)

Statement of Changes in Financial Position

Year Ended December 31

	1984	1983
	(in thousands)	
Financial Resources were provided by:		
Operations:		
Net Loss	$ (8,881)	$ (11,380)
Depreciation (6*)	591	542
Provision for losses	5,073	11,583
Write-down of share investment	791	631
Write-down of property value	3,320	—
	894	1,376
Long term borrowings	—	15,000
Payments received on loans receivable	11,864	22,241
Book value of property holdings sold	1,336	2,743
Book value of share investments sold	26	962
	$14,120	$ 42,322
Financial Resources were used for:		
Increase in short term investment	$ 450	$ —
Decrease in short term borrowings	—	12,750
Repayment of Mortgage	—	1,000
Loan disbursements	8,154	15,208
Share investments	791	611
Purchase of property holdings	3,889	7,005
Other	836	5,748
	$14,120	$ 42,322

(See accompanying notes)

Notes to Financial Statements

December 31, 1984

1. **Significant Accounting Policies**

a) REVENUE FROM LEASING OPERATIONS:
The Corporation uses the "Sales-Type method" of accounting for leases which contain an option to purchase the leased property. Unearned lease income, representing the excess of the gross amount receivable on lease contracts over the cost of the assets leased, net of the estimated residual value, is recorded when a lease is executed and taken into rental income in monthly amounts directly related to the declining balance of the unrecovered investment in the leased assets.

b) ALLOWANCE FOR DOUBTFUL ACCOUNTS:
Financing accounts, investments and rents in arrears are reviewed on a regular basis by management, and losses incurred including liquidation expenses are written off. A provision is also set aside for estimated possible future losses. Interest revenue is not accrued for accounting purposes on loans where a write-off is anticipated.

c) DEPRECIATION:
Depreciation is calculated using the straight line method of depreciation at rates varying from 2 percent to 33⅓ percent on all depreciable properties except the Research Park property in Saskatoon. Depreciation on the Research Park property is provided under the sinking fund method. Under this method depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the property over its estimated useful life. The property consists of buildings with an estimated useful life of 50 years and sites and improvements with an estimated useful life of 33 years.

d) PROPERTY UNDER DEVELOPMENT:
Estimated total development costs are taken into consideration in calculating gains on sale of parcels of land forming part of industrial development. Gains from sales are recognized at the dates unconditional offers to purchase are approved by the Corporation.

The Corporation includes interest, taxes, insurance and fees as part of the cost of property under development. Salaries and expenses of personnel directly involved in property development are also capitalized in situations where capital worth is added.

Property under development is stated in these financial statements at the lower of cost and net realizable value.

e) SHARE INVESTMENTS:
SEDCO has purchased capital stock in both public and private corporations. In all cases, the nature of the investment is such that increases in the equity of the investee corporations are not likely to accrue to SEDCO. In these circumstances, regardless of whether SEDCO exerts significant influence or a parent-subsidiary relationship exists, generally accepted accounting principles require that these investments be recorded on the cost method. Accordingly, all investments in capital stock are carried at the lower of cost and net realizable value. Dividends are recorded as income when they are received.

2. **Change in Accounting Policy**

Retained earnings at December 31, 1983 and December 31, 1982 have been increased by $383,000 and $240,000 respectively to reflect a retroactive change in the Corporation's method of depreciation for its buildings from the straight-line method to the sinking fund method. This change in accounting policy has been retroactively applied to the 1983 comparative figures and has reduced depreciation expense from $685,000 as previously reported to $542,000. The remainder of the change is applicable to years prior to 1983.

3. **Status of the Corporation**

The Corporation was incorporated in 1963 pursuant to The Industrial Development Act. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

4. **Loans**

	1984	1983
	(in thousands)	
Loan principal receivable*	$116,956	$124,373
Interest accrued and receivable	10,880	7,647
Loan costs receivable	769	1,031
	128,605	133,051
Accumulated provision for doubtful accounts:		
Balance January 1	22,291	10,872
Less: Accounts written-off, net of recoveries	1,591	164
	20,700	10,708
Add: Bad debt expense	5,077	11,583
Balance December 31	25,777	22,291
Loans (net)	$102,828	$110,760

* Includes loans of $2,309,000 (1983 - $2,464,000) which, in the event of default, have been conditionally guaranteed by the Province of Saskatchewan upon the Legislature appropriating funds to meet the need.

Westank Industries Ltd., a subsidiary, was indebted to the Corporation in the amount of $15,499,000 at December 31, 1984. During 1984, the Corporation accrued interest on these loans totalling $2,327,000, disbursed $1,350,000 and received $1,079,000 in payments.

5. Share Investments

	1984	1983
At Cost	(in thousands)	
Shares in subsidiary companies	$ 280	$ —
Shares in listed companies	1,000	1,000
Shares in unlisted companies*	3,413	3,436
	4,693	4,436
Accumulated provision for unrealized decline in value	1,050	767
	$ 3,643	$ 3,669

* Includes investments of $1,900,000 (1983 — $1,900,000) which, in the event of default, have been conditionally guaranteed by the Province of Saskatchewan upon the Legislature appropriating funds to meet the need.

In June 1984, SEDCO purchased an additional 58 per cent of the voting shares in Westank Industries Ltd. (Westank) for total consideration of $280,000. The share purchase was part of a financial restructuring of Westank and increased SEDCO's ownership to 88 per cent.

6. Property Holdings

	Cost	Accumulated Depreciation	Book Value 1984	Book Value 1983
	(in thousands)		(in thousands)	
Property under development for industrial purposes (lower of cost and net realizable value)	$22,773	$ —	$22,773	$23,426
Lease options less unearned income of $888,031 (1983 — $987,074)	849	—	849	881
Land	2,313	—	2,313	2,296
Buildings, improvements and equipment	22,419	3,114	19,305	19,854
Office furniture and equipment	531	356	175	229
Properties held for disposal	2,372	—	2,372	343
	$51,257	$ 3,470	$47,787	$47,029
For sale or lease	$50,012	$ 2,923	$47,089	$46,193
For own use	1,245	547	698	836
	$51,257	$ 3,470	$47,787	$47,029

Depreciation for the year amounted to $591,000 (1983 — $542,000). The average depreciation rate for assets was 2.9 per cent (1983 — 2.9 per cent).

7. Notes Payable and Long Term Debt

		1984	1983
		(in thousands)	
NOTES PAYABLE			
Department of Finance (1983 - 9.8%)	10.00%	$ 2,000	$ 2,000
LONG TERM DEBT			
Province of Saskatchewan			
November 1, 1985	8.50%	$ 23,500	$ 23,500
*June 1, 1991	7.20%	5,000	5,000
*June 3, 1994	8.46%	7,383	7,383
*October 1, 1995	9.34%	3,857	3,857
*June 1, 1998	9.41%	8,407	8,407
		48,147	48,147
Crown Investments Corporation of Saskatchewan			
June 2, 1985	11.50%	20,000	20,000
July 22, 1986	15.75%	16,000	16,000
August 18, 1987	16.625%	15,000	15,000
December 29, 1987	11.75%	10,000	10,000
December 29, 1987	11.75%	10,000	10,000
December 21, 1988	10.75%	15,000	15,000
		$ 86,000	$ 86,000
TOTAL LONG TERM DEBT		$134,147	$134,147

* Debt totalling $24,647,000 (1983 — $24,647,000), with an original term of 20 years, is subject to redemption on 6 months' notice.

8. Equity Advances

These advances are interest-free and are payable at the discretion of the Crown Investments Corporation of Saskatchewan. No such advances were received in 1984.

9. Contributed Surplus

From time to time, and for a nominal amount, the Corporation receives surplus Crown properties having industrial potential. No such properties were transferred to SEDCO in 1984.

10. Revenue from Properties

The Corporation recorded losses of $76,000 on the sale of properties in 1984 (1983 gain of $164,000).

11. Remuneration of Directors and Senior Officers

The Corporation had nine directors on December 31, 1984. During 1984, $59,000 (1983 — $37,000) was paid to the directors. The six senior officers (1983 — six) received, in aggregate, $329,000 in salaries for 1984 (1983 — $316,000).

12. Contingent Liabilities

As at December 31, 1984, the Corporation was contingently liable under loan guarantees in the amount of $2,836,000.

13. Commitments

a) The total amount not yet disbursed on loans approved is $4,340,000.

b) The Corporation has approved guarantees which were in force but not used at December 31, 1984 amounting to $482,000.

c) The costs to complete properties approved for development approximate $8,539,000.

14. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts owing to related parties and their terms of settlements are described separately in the financial statements and the notes thereto.

15. Comparative Figures

The 1983 comparative figures have been restated to conform with changes made during the current period in classifying items in the financial statements.

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Saskatoon Branch Office
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Innovation Place
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Telephone: (306) 664-6296

Prince Albert Branch Office
64 - 13th Street West
Prince Albert, Saskatchewan
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Telephone: (306) 922-8800

For additional copies of this annual report, or for further information about SEDCO programs in all areas of operation, kindly contact:

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1106 Winnipeg Street
P.O. Box 5024
Regina, Saskatchewan
S4P 3W2
Telephone: (306) 565-7233